



U.S. Department
of Transportation

**Pipeline and
Hazardous Materials Safety
Administration**

8701 South Gessner, Suite 1110
Houston, TX 77074

**NOTICE OF PROBABLE VIOLATION
And
PROPOSED COMPLIANCE ORDER**

CERTIFIED MAIL - RETURN RECEIPT REQUESTED

June 20, 2008

Mr. Jeryl Mohn
Sr. VP Operations and Engineering
Panhandle Energy
5444 Westheimer Road
Houston, TX 77056-5306

CPF 4-2008-1011

Dear Mr. Mohn:

On November 13- 17, and November 27-30, 2006, representatives of the Pipeline and Hazardous Materials Safety Administration (PHMSA), pursuant to Chapter 601 of 49 United States Code inspected Panhandle Energy procedures for Integrity Management in Houston, Texas.

As a result of the inspection, it appears that you have committed probable violations of the Pipeline Safety Regulations, Title 49, Code of Federal Regulations. The items inspected and the probable violation(s) are:

1. §192.905(a) General. To determine which segments of an operator's transmission pipeline system are covered by this subpart, an operator must identify the high consequence areas. An operator must use method (1) or (2) from the definition in §192.903 to identify a high consequence area. An operator may apply one method for its entire pipeline system, or an operator may apply one method to individual portions of the pipeline system. An operator must

describe in its integrity management program which method it is applying to each portion of the operator's pipeline system. The description must include the potential impact radius when utilized to establish a high consequence area. (See appendix E.I. for guidance on identifying high consequence areas.)

At the time of the inspection, Panhandle Energy's structure and pipeline location data for the Transwestern Pipeline and Florida Gas Transmission was not accurate. West of Flagstaff in Coconino County Arizona, the Transwestern Pipeline line segments 060 MM221 and 060 MM121 both 30-inch exhibited relative spatial inaccuracies with regard to pipeline centerline versus location of adjacent structures. In Mohave County Arizona, line segment 060 MM11N 30-inch indicated that structures in the vicinity of the pipeline were erroneously located on top of the pipeline in the GIS. Additional inaccuracies were noted with portions of the pipeline centerline location for the Florida Gas Transmission. In Washington Parish Bogalusa, LA the centerline for the LAMEB-9 (30") and LAMEA (24") lines were incorrect and as result an HCA was not identified. In St. Helena Parish, LA the HCA range for the LAMEA-8 both the 30 and 20 inch lines were incorrect.

2. §192.921(a) Assessment methods. An operator must assess the integrity of the line pipe in each covered segment by applying one or more of the following methods depending on the threats to which the covered segment is susceptible. An operator must select the method or methods best suited to address the threats identified to the covered segment (See §192.917).

- **(4) Other technology.** Other technology that an operator demonstrates can provide an equivalent understanding of the condition of the line pipe. An operator choosing this option must notify the Office of Pipeline Safety (OPS) 180 days before conducting the assessment, in accordance with §192.949. An operator must also notify a State or local pipeline safety authority when either a covered segment is located in a State where OPS has an interstate agent agreement, or an intrastate covered segment is regulated by that State.

Panhandle Energy failed to meet the 180-day notification as required by §192.921(a)(4). Panhandle Energy used long range ultrasonic testing (LRUT) "other technology" known as guided wave on 30 feet of pipe in Dade County Miami, Florida. PHMSA expects operators to have proper quality control and engineering preassessment performed in order to prevent non-compliance of the regulations.

Warning Items

With respect to item 2 we have reviewed the circumstances and supporting documents involved in this case and have decided not to conduct additional enforcement action or penalty assessment proceedings at this time. We advise you to promptly correct any items that will prevent the recurrence of this issue. Be advised that failure to do so may result in being subject to additional enforcement action.

Proposed Compliance Order

With respect to item 1 pursuant to 49 United States Code § 60118, the Pipeline and Hazardous Materials Safety Administration proposes to issue a Compliance Order to Panhandle Energy. Please refer to the *Proposed Compliance Order*, which is enclosed and made a part of this Notice.

Response to this Notice

Enclosed as part of this Notice is a document entitled Response Options for Pipeline Operators in Compliance Proceedings. Please refer to this document and note the response options. Be advised that all material you submit in response to this enforcement action is subject to being made publicly available. If you believe that any portion of your responsive material qualifies for confidential treatment under 5 U.S.C. 552(b), along with the complete original document you must provide a second copy of the document with the portions you believe qualify for confidential treatment redacted and an explanation of why you believe the redacted information qualifies for confidential treatment under 5 U.S.C. 552(b). If you do not respond within 30 days of receipt of this Notice, this constitutes a waiver of your right to contest the allegations in this Notice and authorizes the Associate Administrator for Pipeline Safety to find facts as alleged in this Notice without further notice to you and to issue a Final Order.

In your correspondence on this matter, please refer to **CPF 4-2008-1011** and for each document you submit, please provide a copy in electronic format whenever possible

Sincerely,



R. M. Seeley
Director, Southwest Region
Pipeline and Hazardous
Materials Safety Administration

Enclosures: *Proposed Compliance Order*
Response Options for Pipeline Operators in Compliance Proceedings

PROPOSED COMPLIANCE ORDER

Pursuant to 49 U.S.C. § 60118, the Office of Pipeline Safety proposes to issue to Panhandle Energy a Compliance Order incorporating the following requirements to assure the compliance of Panhandle Energy with the pipeline safety regulations applicable to its operations.

1. In regard to Item 1 of the Notice, Panhandle Energy must investigate and provide this office documentation that substantiates that line segments mentioned in Item #1 have been investigated and any erroneous data found has been corrected. The documentation must include screenshots and aerial photography that clearly indicate the beginning and end point of the HCA associated with the particular line segments. Additionally, documentation must show what affects any new HCA or extensions of HCAs may have had on the BAP and how those affects will be remediated.
2. Submit the results of the Proposed Compliance Order items above to the Region Director, Southwest Region, Office of Pipeline Safety, Pipeline and Hazardous Materials Safety Administration, 8701 South Gessner, Suite 1110, Houston, Texas 77074. This is to be accomplished within 30 days following receipt of the Final Order.
3. Panhandle Energy shall maintain documentation of the safety improvement costs associated with fulfilling this Compliance Order and submit the total to R. M. Seeley Director, Southwest Region, Pipeline and Hazardous Materials Safety Administration. Costs shall be reported in two categories: 1) total cost associated with preparation/revision of plans, procedures, studies and analyses, and 2) total cost associated with replacements, additions and other changes to pipeline infrastructure.